

Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-08 OES-06 IGA-02 L-03

SP-02 AGRE-00 CIAE-00 INR-07 NSAE-00 TRSE-00

COME-00 /098 W

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3375

INFO AMEMBASSY DAMASCUS

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E.O. 11652: N/A

TAGS: EAID, LE, US

SUBJECT: PL-480 NEGOTIATIONS

REF: STATE 059638

1. APPRECIATE RECEIVING BACKGROUND IN REFTEL, WHICH PUT IN MY HANDS ABOUT TWO MINUTES BEFORE I WENT OFF TO SEE PRIME MINISTER MORNING MARCH 18, HE HIMSELF WAS UNAWARE OF DECEMBER 20 NOTE REQUESTING 100,000 MT WHEAT, WHICH WE BOTH PRESUMED EMANATED FROM THEN MINISTER OF AGRICULTURE, WHOSE KNOWLEDGE OF THIS FIELD LIMITED. (IN FACT, REQUEST MAY HAVE BEEN MADE BY GOL EMBASSY IN WASHINGTON WITHOUT CONSULTATION WITH BEIRUT. WE HAVE NO RECORD OF SUCH A NOTE HERE.) HE EXPLAINED THAT THERE HAD BEEN CONSIDERABLE CONFUSION AND LACK OF COORDINATION WITHIN GOL AT TIME (THERE STILL IS) AND THAT MINISTER OF AGRICULTURE APPARENTLY UNAWARE OF COMMITMENTS MADE BY HIS PREDECESSOR IN THAT POSITION AND UNINFORMED AS TO SUPPLY SITUATION IN COUNTRY.

2. PRIMIN NOTED THAT SUPPLY SITUATION STILL NOT COMPLETELY CLEAR, BUT AS OF NOW LOOKS ROUGHLY AS FOLLOWS:

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A. THERE ARE SOME 60,000 MT OF WHEAT NOW ON HAND. 20,000 ARE HELD BY WHEAT OFFICE, 20,000 BY COMMERCIAL DEALERS, 20,000 BY PHALANGE. (FORMER DIRECTOR OF WHEAT OFFICE NOW WORKING FOR PHALANGE AND HAS REFUSED TO RETURN TO MINISTRY OF ECONOMY. HE RUNNING INDEPENDENT WHEAT OFFICE FOR THAT PARTY, WHICH IS CARRYING ON OPERATIONS WITHOUT REFERENCE TO GOL.)

B. THERE ARE PRIVATE SHIPMENTS COMING IN EVERY WEEK ORDERED BY VARIOUS PEOPLE WITHOUT PRIOR COORDINATION WITH GOL. AT THIS POINT GOVERNMENT DOES NOT KNOW HOW MUCH MORE WILL BE ARRIVING.

C. THERE IS COMMITMENT, ON TERMS NOW UNFAVORABLE, TO BUY 150,000 TONS OF CANADIAN WHEAT. COMMITMENT MADE BY FORMER MINISTER OF AGRICULTURE OSSERIRAN AND IRREVOCABLE LETTERS OF CREDIT ISSUED. GOL REGRETS IT HAS NO ALTERNATIVE TO ACCEPTANCE OF THIS WHEAT

D. LOCAL CONSUMPTION USUALLY ON ORDER OF 360,000 MT BUT WILL BE REDUCED TO 300,000 THIS YEAR BECAUSE PEOPLE DO NOT HAVE MONEY (AND THERE HAS ALSO BEEN CONSIDERABLE TEMPORARY AND PERMANENT EMIGRATION).

E. LOCAL PRODUCTION WILL BE 45 TO 60,000 MT. THIS, ADDED TO STOCKS ON HAND, PLUS CANADIAN COMMITMENT TOTALS MINIMUM 256,000 TONS, WITHOUT TAKING INTO ACCOUNT ADDITIONAL GRAIN ALREADY ORDERED AND COMING IN THROUGH COMMERCIAL CHANNELS OR TO BE IMPORTED BY PHALANGE. GOL THEREFORE WILL BE ABLE TO USE ADDITIONAL 50,000 TONS BUT NO MORE.

F. GOL FULLY AWARE THAT WE CAN GIVE NO COMMITMENT NOW FOR NEXT FISCAL YEAR BUT WILL HAVE TO TAKE ITS CHANCES. HE TOLD PRESIDENT SARKIS HE WAS UNHAPPY AT HAVING TO TURN DOWN PART OF WHAT WE OFFERING, BUT HE SAW NO ALTERNATIVE AT THIS POINT.

3. I MENTIONED TO HIM THE SUGGESTION IN PARA 7 OF REFTTEL ABOUT ALTERNATIVE MEANS OF UNLOADING, BUT NEITHER HE NOR I HAD TECH-LIMITED OFFICIAL USE

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NICAL BACKGROUND TO DISCUSS. ASSUME IDEA WOULD BE TO STORE GRAIN FOR USE IN NEXT FISCAL YEAR. SUGGEST AGATT COME OVER AT HIS CONVENIENCE SOMETIME IN NEXT TWO WEEKS TO DISCUSS MATTER MORE FULLY WITH TECHNICIANS AT MINISTRY OF ECONOMY. WE WILL NOT PROCEED WITH NEGOTIATION OF AMENDED AGREEMENT UNTIL AFTER HE HAS HAD SUCH DISCUSSION.

4. WITH REGARD TO RICE, HOSS SAID IN PAST RICE HAD REQUIRED PRE-LICENSING FROM GOL. HE HAD WANTED TO LIBERATE TRADE AND STIMULATE COMMERCIAL COMPETITION AND HAD LIFTED THIS REQUIREMENT. TOTAL CONSUMPTION WAS ABOUT 20,000 MT PER YEAR. IF GIVERNMENT IMPORTED 5,000 UNDER PL-480, IT WOULD NOT UPSET MARKET AND WOULD GIVE GOL SOME LEVERAGE IN KEEPING PRICES DOWN. MORE THAN THAT WOULD PUT GOL IN POSITION COMPETING TOO MUCH WITH PRIVATE TRADE. FURTHERMORE, LEBANESE CUSTOMARILY ATE ITALIAN AND EGYPTIAN RICE, WHICH DIFFERENT IN QUALITY, TASTE AND PRICE FROM AMERICAN. HE AFRAID THAT IF THEY IMPORTED LARGER QUANTITY OF AMERICAN RICE, IT WOULD NOT MOVE.

5. WE ALSO DISCUSSED USE OF PL-480 GENERATED FUNDS FOR AGRICULTURAL DEVELOPMENT. I NOTED THAT IN EARLIER DISCUSSIONS POSSIBILITY OF USING IT FOR RURAL HOUSING HAD COME UP, AND THAT USG HAD BEEN UNENTHUSIASTIC ABOUT THAT. HOSS REPLIED THAT HE DID NOT THINK WE WOULD HAVE PROBLEM. GOL HAD NO PRECONCEIVED IDEAS AND WAS OPEN TO SUGGESTION. THEIR HIGHEST PRIORITY AT MOMENT, HOWEVER, WAS RECONSTRUCTION, AND DEVELOPMENT. THAT WAS WHY IT WOULD BE USEFUL TO HAVE MONEY AVAILABLE TO FINANCE HOUSING IN RURAL AREAS. OTHER POSSIBILITIES, HOWEVER, MIGHT BE TO USE FUNDS GENERATED ON LITANI PROJECT OR FOR ESTABLISHMENT OF AGRICULTURAL DEVELOPMENT BANK. HOW WOULD THE LATTER IDEA SIT WITH WASHING? I SAID I WOULD ASK.

6. COMMENT: HOPE USG WILL FIND IT IN ITS HEART TO SHOW SOME FLEXIBILITY ON AGRICULTURAL DEVELOPMENT CRITERIA. WHAT HOSS SAYS MAKES GOOD DEAL OF SENSE. RURAL EXODUS, WHICH DIRECTLY RELATED TO AGRICULTURAL DEVELOPMENT, IS MAJOR SOCIAL PROBLEM OF THIS COUNTRY. REBUILDING OF RURAL HOUSING DESTROYED DURING RECENT (AND CONTINUED) LIMITED OFFICIAL USE

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FIGHT WILL BE IMPORTANT DETERMINANT OF RURAL DECISIONS ON WHETHER TO STAY ON THE FARM OR COME SQUAT IN BEIRUT.
PARKER

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